SELECT STANDING COMMITTEE

ON

FINANCE, CROWN CORPORATIONS

AND

GOVERNMENT SERVICES

FIRST REPORT

FINANCIAL PLANNING AND ADVISORY INDUSTRY

Legislative Assembly of British Columbia

Fourth Session, Thirty-fourth Parliament

February 19, 1991

Mr. Nick Loenen, M.L.A.
Chairman

Ms. Darlene Marzari, M.L.A
Deputy Chairperson

91-02949/

FIRST REPORT

of the

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Parliament Buildings,
Victoria, British Columbia

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To The Honourable,
The Legislative Assembly of
The Province of British Columbia,
Victoria, British Columbia

Honourable Members:

I have the pleasure to present herewith the *First Report* of the Select Standing Committee on Finance, Crown Corporations and Government Services appointed by a Resolution of the House on May 8, 1990 to consider and report upon the financial planning and advisory industry in the Province of British Columbia.

Respectfully submitted,

Mr. Nick Loenen, M.L.A.,
Chairman
(Richmond)

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TERMS OF REFERENCE

On May 8,1990 the Legislative Assembly of British Columbia referred the matter of the *financial planning and advisory industry* to this Committee with the following terms of reference:

That this House authorize the Select Standing Committee on Finance, Crown Corporations and Government Services to examine, inquire into and make recommendations with respect to the regulation of the financial planning and advisory industry, and, without limiting the generality of the foregoing, to consider:

1. the desirability of a regulatory regime to regulate the financial planning and advisory industry;
2. the objectives which regulation of the industry should attempt to accomplish and the principles upon which regulation could be established;
3. the policy considerations inherent in regulating this industry; and
4. alternative approaches which would be used to design a regulatory regime; and to report to the House as soon as possible, or following any adjournment, or at the next following Session, as the case may be; to deposit the original of its reports with the Clerk of the Legislative Assembly during a period of adjournment and upon the resumption of the sittings of the House, the Chairman shall present all reports to the Legislative Assembly.

In addition to the powers previously conferred upon the said Committee by the House, the Committee shall have the following additional powers, namely:

(a) to appoint of their number one or more subcommittees and to refer to such subcommittees any of the matters referred to the Committee;
(b) to sit during any period in which the House is adjourned, during recess after prorogation until the next following Session, and during any sitting of the House;
(c) to adjourn from place to place as may be convenient; and
(d) to retain personnel as required to assist the Committee.

On April 5, 1990 the Committee was formally created with the following initial terms of reference:

> "... be empowered to examine and inquire into all such matters and things as shall be referred to them by this House, and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records, ..."

On both instances, the decision of the House was unanimous.

COMPOSITION OF THE COMMITTEE

First Session - Thirty-fourth Parliament

Mr. Bud Smith, MLA, **Chairman**
(Kamloops)

Mr. Jim Rabbitt, MLA, **Deputy Chairman**
(Yale-Lillooet)

Mr. John Jansen, MLA
(Chilliwack)

Mr. Angus Ree, MLA
(North Vancouver-Capilano)

Hon. Elwood Veitch, MLA
(Burnaby-Willingdon)

Hon. Mel Couvelier, MLA
(Saanich and the Islands)

Mr. Chris D'Arcy, MLA
(Rossland-Trail)

Mr. Moe Sihota, MLA
(Esquimalt)

Mr. Robert Williams, MLA
(Vancouver East)

Mr. Craig James
Clerk to the Committee

Second Session - Thirty-fourth Parliament

Mr. Jim Rabbitt, MLA, **Chairman**
(Yale-Lillooet)

Hon. Bud Smith, Q.C., MLA, **Deputy Chairman**
(Kamloops)

Hon. Elwood Veitch, MLA
(Burnaby-Willingdon)

Hon. Angus Ree, MLA
(North Vancouver-Capilano)

Hon. Mel Couvelier, MLA
(Saanich and the Islands)

Hon. John Jansen, MLA
(Chilliwack)

Ms. Darlene Marzari, MLA
(Vancouver-Point Grey)

Mr. Chris D'Arcy, MLA
(Rossland-Trail)

Mr. Glen Clark, MLA
(Vancouver East)

Mr. Craig James
Clerk to the Committee

Dr. Ron Giammarino
Consultant to the Committee

Third Session - Thirty-fourth Parliament

Mr. Norman Jacobsen, MLA, **Chairman**
(Dewdney)

Mr. Jim Rabbitt, MLA, **Deputy Chairman**
(Yale-Lillooet)

Honourable Bud Smith, Q.C., MLA
(Kamloops)

Honourable Elwood Veitch, MLA
(Burnaby-Willingdon)

Honourable Lyall Hanson, MLA
(Okanagan North)

Mr. Walter Davidson, MLA
(Delta)

Ms. Darlene Marzari, MLA
(Vancouver-Point Grey)

Mr. Chris D'Arcy, MLA
(Rossland-Trail)

Mr. Glen Clark, MLA
(Vancouver East)

Mr. Craig James
Clerk to the Committee

Dr. Ron Giammarino
Consultant to the Committee

Fourth Session - Thirty-fourth Parliament

Mr. Nick Loenen, MLA, Chairman
(Richmond)

Ms. Darlene Marzari, MLA, Deputy Chairperson
(Vancouver-Point Grey)

Honourable Harry De Jong, MLA
(Central Fraser Valley)

Honourable Lyall Hanson, MLA
(Okanagan North)

Honourable Jim Rabbitt, MLA
(Yale-Lillooet)

Mr. Walter Davidson, MLA
(Delta)

Mr. Peter Dueck, MLA
(Central Fraser Valley)

Mr. Glen Clark, MLA
(Vancouver East)

Mr. Chris D'Arcy, MLA
(Rossland-Trail)

Mr. Craig James
Clerk to the Committee

ORGANIZATION

During the First Session of the Thirty-fourth Parliament the Committee elected Mr. Bud Smith, MLA as Chairman and Mr. Jim Rabbitt, MLA, as Deputy Chairman; in the Second Session, Mr. Jim Rabbitt, MLA became the Chairman while the Honourable Bud Smith, Q.C., MLA (Attorney General) was elected Deputy Chairman and; in the Third Session, Mr. Norman Jacobsen, MLA was, until his appointment to Cabinet, the Chairman with Mr. Jim Rabbitt, MLA the Deputy Chairman. This Report is presented to the Legislature on behalf of the Committee by Mr. Nick Loenen, MLA who was elected Chairman during the Fourth Session of the Thirty-fourth Parliament. Subcommittees on Agenda and Procedure and Disclosure consisted of the Chairman and Deputy Chairman in all cases as well as Mr. Moe Sihota, MLA in the First Session and Ms. Darlene Marzari, MLA in both the Second, Third and Fourth Sessions, and Mr. Glen Clark, MLA in the Fourth Session.

ACKNOWLEDGMENTS

Your Committee wishes to express its appreciation to many government officials from British Columbia, Quebec, Ontario and Alberta who met with the Subcommittee in 1988; participants at the public hearings throughout the Province conducted by the Committee's predecessor during October 1988; and to all of the individuals, groups, associations, and companies who submitted written briefs bringing to the attention of the Committee their particular concerns respecting the business of financial planning in British Columbia.

The Committee acknowledges the administrative and procedural support it received from the Clerk of Committees and in the preparation of this Report, the assistance of Hansard, the Legislative Library and for the advice given to it by Dr. Ron Giammarino, Assistant Professor, Finance Division, Faculty of Commerce and Business Administration, University of British Columbia.

INTRODUCTION

The business of financial planning has quickly evolved into an activity which has touched many British Columbians during the past several years. Indeed, this component of the financial community seems to have officially got underway four or five years ago. The rapid growth of the financial planning industry in the Province has been replicated across North America and many jurisdictions have placed government responsibility in the hands of Government: Consumer Affairs Departments, Securities Commissions or under the larger umbrella of the Finance Ministries.

The Committee identified at least eight other jurisdictions which either had recently concluded their own review of the business of financial planning or were examining the industry concurrently and separate from British Columbia: the Ministry for Finance and Privatization in Quebec; the Ontario Securities Commission; the Department of Consumer Affairs in Alberta; the Department of Consumer Affairs in Saskatchewan; a Senate Committee of the United States Congress; and a Washington State Senate Committee. New York State, California and numerous associations across North America have undertaken or are undertaking similar reviews, now.

Financial Planning, *per se*, has been available to the people of British Columbia as to some extent for years. Some of the more basic elements of financial planning evolved with the introduction of estate planning. It would be difficult to assert that any elements of personal financial planning are indigenous to British Columbia, rather British

Columbians have been the recipients of a body of financial knowledge and procedures which have evolved through time both in North America and abroad. It may be that one effect of the deregulation of the financial services sector at the national level has promoted, through intense competition, acute interest in the business of financial planning.

While various components of personal financial planning have been available through traditional sources, the process of personal financial planning offered as a practice is an idea borrowed from the United States. This approach first appeared in British Columbia in the early 1970's and has made steady gains since. Inter-provincial developments, such as the establishment of the Canadian Institute of Financial Planning in 1977 as an educational organization providing a course of study by correspondence leading to a certificate, is said to have broadened awareness of the practice. In 1982, practitioners banded together to form the Canadian Association of Financial Planners with the Pacific Chapter being established in British Columbia in 1983, and now represents the second largest chapter of the 1100 member strong Canada-wide organization.

The total number of persons offering personal financial planning services in British Columbia is not known and seems to be dependent on what is meant by the phrase *financial planning*. What is clear is that various accountants and some life insurance agents, mutual fund representatives, financial institution personnel and others profess to be rendering financial planning services.

In less than twenty years an activity has emerged which involves participants in most of the traditional legal/financial professional services and financial product distributors. This evolutionary development seems to be in response to the needs of a more complicated and uncertain world.

Market forces are sorting out the opportunity to serve the public and the public, not having readily available a means by which to discern who is providing legitimate financial planning services is concerned. In addition, various organizations already otherwise regulated, see themselves as providing standards of service and conduct in the delivery of financial planning advice and sales to the public.

Regardless of the several uncertainties surrounding the development of the activity of financial planning, there are clear indications it may continue to meet a public need.

A major obstacle for the Committee while pursuing its review was to establish a definition of the terms *financial planner* and *financial planning*. A federal statute in the United States defines an extensive list of terms relative to an investment advisor for the purposes of the *Act*. An investment advisor is considered to be "any person, who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analysis or reports concerning securities...." (U.S. Code Title 15 subchapter II).

Throughout its proceedings, the Committee heard repeatedly the need to deal with concepts of conflict of interest and disclosure by persons and companies holding themselves out to the public as financial planners and the establishment of a mechanism to which the consumer could resort should financial advice not be delivered in the best possible professional atmosphere.

METHOD OF OPERATION

The Select Standing Committee on Finance, Crown Corporations and Government Services during this Thirty-fourth Parliament held 35 meetings including Subcommittee meetings and public hearings as follows:

Monday, February 1, 1988	Vancouver
Wednesday, February 17, 1988	Vancouver
Wednesday, March 12, 1988	Vancouver
Tuesday, March 24, 1988	Victoria
Thursday, April 28, 1988	Victoria
Thursday, May 5, 1988	Victoria
Thursday, May 12, 1988	Victoria
Thursday, May 19, 1988	Victoria
Thursday, June 16, 1988	Victoria
Tuesday, August 16, 1988	Victoria
Monday, September 19, 1988	Vancouver
Wednesday, September 28, 1988	Vancouver
Friday, September 30, 1988	Victoria
Monday, October 17, 1988	Vancouver
Tuesday, October 18, 1988	Kelowna
Tuesday, October 25, 1988	Victoria
Thursday, December 1, 1988	Quebec City
Friday, December 2, 1988	Toronto
Monday, December 4, 1988	Edmonton
Thursday, January 12, 1989	Victoria
Wednesday, February 8, 1989	Victoria
Thursday, April 27, 1989	Victoria
Wednesday, May 3, 1989	Victoria
Wednesday, May 17, 1989	Victoria
Wednesday, May 24, 1989	Victoria
Thursday, June 8, 1989	Victoria
Wednesday, June 28, 1989	Victoria
Monday, July 31, 1989	Vancouver
Monday, October 16, 1989	Vancouver
Monday, January 8, 1990	Edmonton
Wednesday, March 28, 1990	Victoria
Thursday, April 5, 1990	Victoria
Thursday, December 13, 1990	Victoria
Thursday, January 17, 1991	Victoria
Tuesday, February 19, 1991	Victoria

As a result of the work undertaken by the Committee during the Second and Third Sessions and the effect of prorogation on each this Committee agreed to receive the material collected prior to April 5, 1990. Briefing sessions were held in early 1988 with the Pacific Chapter of the Canadian Association of Financial Planners; the British Columbia Ministry of Finance and Corporate Relations; and the British Columbia Securities Commission which were most helpful in the early stages of this review.

The Committee advertised extensively in the majority of weekly and daily newspapers and selected periodicals in British Columbia requesting briefs and in the publishing of the Committee's public hearing schedule.

OBSERVATIONS AND RECOMMENDATIONS

Your Committee is in the position of offering the following observations and recommendations arising out of the Committee's terms of reference:

1. The desirability of a regulatory regime to regulate the financial planning and advisory industry

The Committee recognizes that some markets are subject to factors which impede their efficient operation. The submissions the Committee has received to date conclude that:

(i) the complexity of financial markets and products have increased dramatically in recent years;

(ii) consumers have responded to this increased complexity by increasing their reliance on financial planners; and

(iii) consumers often do not have access to the same information available to financial planners and may be disadvantaged in their financial transactions as a result.

Two specific policy issues emerge from these factors. First, financial transactions involving a financial planner and a consumer may not be fair and equitable to the extent that the financial planner is in a position to withhold information and may be better informed than the consumer. Second, the potential lack of fairness may impede the development of the industry by undermining consumer confidence.

Arguments presented to the Committee in support of the claim that consumers may be unfairly disadvantaged in their dealings with financial planners have been bolstered by the individual cases reported to the Committee surrounding perceived fraudulent or unethical behavior, particularly in the case of Principal Trust.

On the other hand, evidence in support of the argument that informational problems can impede the efficiency of the industry is more difficult to establish. Essentially the issue is one of prediction, making documentation of efficiency less difficult. Instead, the Committee has resorted to qualitative estimates such as the extent to which the fear of being exploited has kept potential consumers of financial planning services out of the market; the degree to which resources have been misallocated by unqualified or unethical financial planners; and the extent to which consumers have not taken advantage of the full potential of the market place because of poor advice from financial planners. While the Committee has received many submissions that have expressed concern for these issues there has been little direct evidence presented. Your Committee is of the view that the call for regulation has come from many of those who would be regulated to be evidence that the industry as a whole is being hurt by the lack of regulation.

Recommendation #1

Your Committee recommends that a limited regulatory regime to regulate the financial planning and advisory industry in British Columbia be established.

2. Objectives which regulation of the industry should attempt to accomplish and the principles upon which regulation could be established

Your Committee has observed that the role of the industry needs to be clarified. The degree to which a regulatory regime should be implemented is a delicate balance between the consumer and the person or company offering, for remuneration, financial planning advice.

Recommendation #2

Your Committee recommends that the principles of regulation should conform to, and be consistent with, other initiatives currently undertaken by the Government of British Columbia.

The primary objective of regulation in this area is to provide an environment in which the consumer receives a level of service that would be achieved if informational problems did not exist. While this objective may not be completely achievable, it is essential that regulation move the industry as close to this ideal as possible.

Recommendation #3

Your Committee recommends that the following basic objectives and principles form the basis of regulatory reform in British Columbia:

(a) as relative informational disadvantages are at the heart of the problem, the regulatory regime should be built on a cornerstone of appropriate disclosure requirements;

(b) the development and maintenance of educational initiatives and standards should be an integral part of the regulatory reform;

(c) the regulatory regime should enhance the competitive nature of the financial planning and advisory industry;

(d) the regulatory regime should be designed to minimize administrative expenses subject to the constraint that its primary objectives be met and;

(e) the regulatory regime should provide harmony with the regulation of financial planners in other jurisdictions throughout Canada.

3. Policy considerations inherent in regulating this industry:

Recommendation #4

Your Committee recommends that the following policy considerations need to be well defined and enunciated:

(a) prior to the introduction of any regulation the scope of the regulation must be carefully delineated through the adoption of an appropriate definition of the financial planning and advisory industry. In considering such an adoption it is necessary to decide whether or not to attempt to deal with every action which could be seen to involve the provision of financial planning advice, or some appropriate subset. After considering various alternatives and recognizing that the activity of financial planning is meant to be a continuing process, the Committee is of the view that it may be best to define the financial planning industry as consisting of *all individuals who hold themselves out to the public as being willing and able to provide financial planning advice for remuneration.*

The adoption of this definition would involve a fundamental tradeoff. On the one hand it is desirable to have a definition that is broad enough to encompass all individuals who, if not regulated, could impede the efficiency and integrity of the industry. At the same time, however, the breadth of the definition must not be such as to impose undue costs on the public. For instance, it would be

unreasonable to impose regulatory inconveniences or costs on a bank manager or accountant who is occasionally approached for advice from clients. It is not unreasonable to regulate the same manager or accountant if they advertise the fact that they provide financial planning advice;

(b) **industry involvement in the regulatory mechanism is desirable because it brings the collective expertise of industry participants to bear on the tasks of monitoring activity and of determining appropriate policies. At the same time, however, it must be recognized that industry participants are self interested and cannot be expected to put concern for the public ahead of concern for their own well being;**

(c) **in designing and implementing regulation it is essential that administrative costs be minimized. However, it must be recognized that such cost minimization must be subject to the constraint that the regulation accomplish the objectives set out above; and**

(d) **industry participation is perhaps most efficient when a single industry group is represented. However, designating a single group to be the main industry representative (in this case because of the cross-sectional impact) may harm the consumer by endowing the designated group with market power. Rather, continued liason with all professional groups and practitioners could be more useful to protect consumer interest and enhance service quality at this time.**

4. Alternative approaches which would be used to design a regulatory regime:

Your Committee has developed a series of alternative approaches in the design of a regulatory regime. The alternative approaches are meant to complement the existing industry while balancing the responsibilities and initiatives of government and remaining sensitive to the needs of the consumer.

Recommendation #5

Your Committee recommends that the following alternatives be given serious consideration in the implementation of a regulatory regime:

Disclosure Options:

There are two alternatives to satisfying the objective of inducing financial planners to disclose relevant information. First, disclosure may be made one of several conditions that must be met prior to anyone engaging in the activity of financial planning in the Province of British Columbia. This would involve a limited amount of monitoring on the part of a regulatory body in order to ensure compliance. In addition, a regulatory body would need to continually review its disclosure requirements in light of developments in the financial

marketplace. On the other hand, under this scheme individual investors would still have a strong incentive to take care in their dealings with financial planners since the regulator's responsibility would be limited to ensuring compliance. A second approach is not to delineate specific disclosure requirements but instead to have the onus placed on the vendors of financial products who would be held responsible if a court is convinced that disclosure was insufficient. This approach reduces the burden on the regulatory agency but increases the burden on the judicial system. In addition, as a strong form of consumer protection, this approach would lessen the consumers' incentive to exercise care in their transactions.

The need to introduce disclosure requirements stems from the fundamental notion that financial planners owe their clients investment advice which is free from actual or potential conflicts of interest. The practicality of the matter, however, is that the efficient delivery of financial products to the market place will inevitably generate some conflicts of interest. Consequently, rather than attempting to prevent all conflicts of interest, disclosure requirements are typically designed to allow consumers to judge the quality of the advice being provided by ensuring that existing or potential conflicts of interest are evident.

It is important to note, however, that government mandated disclosure does not reduce the responsibility of the customer to be prudent. Instead, government intervention, your Committee believes, is intended to provide an efficient means by which information is provided to the customer.

In general, British Columbia's disclosure requirements will follow similar regulations in other jurisdictions by requiring that customers be informed in writing of the experience, qualification and training of the financial planner, and of all existing and potential conflicts of interest.

The method of implementation could be to require the registration of all financial planners through the filing of a standard disclosure form that would be publicly available. In addition, before services can be rendered to a particular client, a standard engagement letter containing specific items could be presented and signed by the client. The contents of both disclosure statements can be determined by an advisory group operating under the supervision of the securities commissioner, for instance.

Specific disclosure requirements should be established and ensure that, at a minimum, the following information be made available to the consumer:

1. Qualifications and credentials;
2. Affiliations that could lead to a conflict of interest;
3. Details of compensation arrangements, both direct and indirect;
4. Details of insurance and protection plans covering the products being sold and;
5. Other relevant contract information.

In British Columbia, the *Insurance Act, the Real Estate Act, the Mortgage Brokers Act, the Securities Act,* and *the Financial Institutions Act* contain disclosure requirements of some sort. In addition, there is scope within the *Consumer Protection Act* to introduce disclosure requirements. In general, however, these disclosure requirements do not at present meet the coverage requirements set out above respecting financial planners. Hence, amendments to existing legislation will be required.

Recommendation #5a

Your Committee recommends that the financial planning disclosure statement contained in the Appendix of this Report be used as a model in applying disclosure within the financial planning and advisory industry in British Columbia.

Your Committee believes that the government should tolerate variations of the form which will need to exist to coincide with the diverse nature of financial planning in the province. As well, and in consultation with the industry, the government should examine and implement an efficient, effective and economical system of administration for disclosure; establish penalties and remedies related to compliance, similar to those imposed elsewhere in the financial services sector; and develop distribution criteria for the form while remaining sensitive to confidentiality. The Committee's intention is that all those who hold themselves out to offer any and all of the components of financial planning in British Columbia and receive in return from any source any form of remuneration be required to complete the disclosure statement. A mutually agreed upon date of implementation between the government and the industry is recommended however, the Committee agrees that the disclosure recommendation should be implemented in the province within six months from the date of tabling this **First Report** in the House. There should be no "grandfathering" in the industry with respect to the recommended disclosure statement.

Your Committee realizes that other and future requirements may need to be met in a disclosure statement given the dynamics and evolving nature of the financial planning industry in British Columbia and in line with consumer protection. The government needs to remain cognizant of this fact.

Industry Involvement Options:

Due to the collective expertise that the industry participants can bring to bear on the regulatory process, it is important that industry involvement be encouraged. One alternative is to charge a specific industry group with the responsibility of meeting the regulatory objectives set out above. Such an organization would be referred to as a Self Regulatory Organization or SRO.

While an SRO would minimize the regulatory burden placed on the government there are at least three offsetting concerns to your Committee. First, it is not clear to the Committee that a single organization currently exists which could act as the SRO. Second, an SRO may be forced to act in a way which either benefits the public or the organization itself and in such a case it may not be reasonable to expect that it would place the public's well being ahead of its own. Third, having a single class of professionals forming the SRO necessarily excludes others from applying their expertise to the regulatory process. For instance, if an association of personal financial planners were designated as the SRO, the input from professional accounting associations, the Bar Association, the Life Insurance Underwriters Association, the Investment Dealers Association as well as input from universities and colleges and others may be impeded to the ultimate detriment of the consumer.

A second alternative involves the creation of a government regulatory agency with formal channels established to allow input from various professional associations. In turn, the formal channels may involve either the formation of an advisory committee made up of representatives from various professional organizations or a more direct role by including these representatives on the board of the regulatory agency. The disadvantage of this approach is that it imposes an administrative burden on the government.

The advantage is that it allows government involvement to ensure the public interest is best served while at the same time incorporating broad based industry involvement in the regulatory process.

Public Awareness:

Educational standards are imposed on an industry in order to assure consumers that the agents providing them with advice meet a minimum level of competence. There are two regulatory issues in this area. First, a specific form of industry standards must be determined. Second, a mechanism for the application of the adopted standards must be developed.

One form that the standards can take is that of a set of uniform requirements which could be imposed on all individuals engaging in financial planning. The advantage of this approach is the consistency it provides and the ease with which it can be applied. In fact, it is possible, your Committee understands, that a uniform examination would suffice to determine the qualification of a candidate. The disadvantage is in the fact that individuals may have to become familiar with areas of finance with which they will not be involved. As an example, a lawyer specializing in estate planning may require a fairly detailed understanding of a specific part of the tax code which may be of little value to an individual who specializes in evaluating mutual funds.

Alternatively, a more flexible system can be developed that would involve a more restricted uniform requirement and additional requirements that would be selected from the candidate from a series of available option areas. While the increased flexibility is desirable, this alternative involves a more elaborate system and may therefore be more costly to administer.

The development of an appropriate mechanism for the imposition of educational standards on the industry must, by necessity, be influenced by the form of industry involvement that is adopted. If a SRO is established then it may be given the mandate to coordinate educational requirements. Alternatively, if broader based industry participation is encouraged then individual professional organizations may be asked to be involved in the process. At one extreme, each professional group may be asked to establish its own educational requirements. A more moderate approach, your Committee believes, is to establish an educational committee with representation from the professional organizations as well as universities and colleges.

A third possibility is to delegate the responsibility for administering the educational standards to a third party such as a specific educational institution. This is similar to the approach that has been taken in the real estate industry.

Recommendation #6

Your Committee recommends that an appropriate British Columbia government ministry produce and disseminate a series of consumer documents explaining the following concepts:

- **components of financial planning;**
- **aspects of investing;**
- **risk in the marketplace and;**
- **retirement issues,**

focusing upon the elements of consumer responsibilities and protection and the financial planning process.

Coordination with other Government Initiatives Options:

Your Committee has sought to ensure that regulation is consistent with other initiatives undertaken by the Government of British Columbia by inviting both the Ministry of Finance and Corporate Relations and International Financial Centre (IFC), Vancouver to present submissions. On the basis of these submissions, the need for further interaction among various ministries and agencies has been established. The alternatives now are to continue with informal exchanges or to establish a task force within government to ensure that all government initiatives in the financial services industry are consistent.

Coordination with other Governments and Regulatory Agencies Options:

A mechanism for coordinating regulatory activities throughout the country is desirable. Alternatives include informal interactions, the sponsoring of an interprovincial conference on the matter, or the establishment of an interprovincial committee. As well, viewing developments in the United States and Great Britain would have some merit.

J. Peripheral Issues:

Your Committee has observed many peripheral issues that are manifested within the financial planning industry, namely:

(a) the possibility and desirability of maintaining a registry of financial planners as well as a data base on the size and activities of the industry; and

(b) the ability of existing regulatory bodies to deal with the regulation of the financial planning industry;

Your Committee has observed the approaches taken by Quebec and Alberta and the work undertaken by Ontario and Saskatchewan in an effort to resolve consumer, industry and government concerns with respect to financial planners there. Legislation has been imposed in some jurisdictions while others are encouraging a modified plan of self-regulation.

SUBMISSIONS

The following is a list of written submissions received by the Committee during the Second and Third Sessions of the Thirty-fourth Parliament:

A.L. Williams Insurance Agency Ltd. **FCC 39/87**
- see: Pennsylvania Life Insurance Company

British Columbia. Ministry of Finance and Corporate Relations. **FCC 64/87**
B.C. Central Credit Union **FCC 56/87**
Brown, Terry **FCC 57/88**
- Addendum to FCC 57/88 **FCC 57a/87**

Canadian Association of Financial Planners, Pacific Chapter **FCC 42/87**
- Addendum to FCC 42/87 **FCC 42a/87**
- Addendum to FCC 42/87 **FCC 42b/87**
- Addendum to FCC 42/87 **FCC 42c/87**
- Addendum to FCC 42/87 **FCC 42d/87**
- Addendum to FCC 42/87 **FCC 42e/87**
- Addendum to FCC 42/87 **FCC 42f/87**
- Addendum to FCC 42/87 **FCC 42g/87** [summary]
- Addendum to FCC 42/87 **FCC 42h/87**

Canadian Institute of Financial Planning **FCC 44/87**
- Addendum to FCC 44/87 **FCC 44a/87**
- Addendum to FCC 44/87 **FCC 44b/87**

Certified General Accountants Association of British Columbia **FCC 46/87**
- Addendum to FCC 46/87 (one copy deposited with Clerk of Committees); CGA Professional Development; Personal Financial Planning **FCC 46a/87**

Chartered Life Underwriters, Vancouver Island Chapter (see FCC 29/87) **FCC 37/87**
Consumers' Association of Canada, B.C. Branch **FCC 40/87**
Crown Life **FCC 52/87**

Dunsmuir, Maureen **FCC 58/87**
- Addendum to FCC 58/87 **FCC 58a/87**

England Developments Ltd. **FCC 63/87**

Falkenberg Agencies Ltd. **FCC 21/87**
- Addendum to FCC 21/87 **FCC 21a/87**

Farrow, J. **FCC 62/87**

Great Pacific Management Ltd. **FCC 19/87**
- Addendum to FCC 19/87 **FCC 19a/87**
- Addendum to FCC 19/87 **FCC 19b/87**

Humels, H. **FCC 17/87**

Institute of Chartered Accountants of British Columbia **FCC 53/87**
- Addendum to FCC 53/87 **FCC 53a/87**

Investment Dealers Association of Canada (How to Invest in Securities) **FCC 47/87**
- Addendum to FCC 47/87: Manual for Registered Representatives **FCC 47a/87**
- Addendum to FCC 47/87: portfolio containing various pamphlets, letters and fact sheets **FCC 47b/87**
- Addendum to FCC 47/87: Canadian Securities Course 1987/88 **FCC 47c/87**
- Addendum to FCC 47/87: constitution, by-laws and regulations **FCC 47d/87**
- Addendum to FCC 47/87: issues and recommendations **FCC 47e/87**
- Addendum to FCC 47/87 **FCC 47f/87**
- Addendum to FCC 47/87 **FCC 47g/87**
- Addendum to FCC 47/87 **FCC 47h/87**
- Addendum to FCC 47/87 **FCC 47i/87**
- Addendum to FCC 47/87 **FCC 47j/87**

Investments Funds Institute of Canada **FCC 38/87**
Investors Group **FCC 45/87**

James E. Rogers Group Ltd. **FCC 51/87**

Langstaff, Al **FCC 43/87**
Life Underwriters Association of Canada **FCC 29/87**

Macdonald, Shymko and Company Ltd. **FCC 48/87**
- Addendum to FCC 48/87 **FCC 48a/87**
- Addendum to FCC 48/87 **FCC 48b/87**
- Addendum to FCC 48/87 **FCC 48c/87**

Nicholson, David **FCC 66/87**

On Site Consulting **FCC 41/87**

Pennsylvania Life Insurance Company **FCC 39/87**
Plan Vest Financial Corporation **FCC 36/87**
- Addendum to FCC 36/87 **FCC 36a/87**
- Addendum to FCC 36/87 **FCC 36b/87**

Principal Investors Protection Association of B.C. **FCC 55/87**

Robinson Gable McCaulley and Company, Inc. **FCC 32/87**
Rogers Group **FCC 65/87**
Ruzesky, Nap **FCC 49/87**

Salmon, Blaise **FCC 31/87**
Schumacher, Joan **FCC 35/87**
- Addendum to FCC 35/87 **FCC 35a/87**
Strang, Ken **FCC 54/87**

Travis, Elizabeth **FCC 34/87**
Trust Companies Association of Canada **FCC 59/87**

Vancouver Financial Planning Consultants, Inc. **FCC 61/87**

Walker, J.D. **FCC 24/87**
Webber, Milton **FCC 50/87**

WITNESSES

The following is a list of witnesses who have appeared before the Committee at one of its public hearings, and individuals, groups, associations and companies that have met with the Committee at a meeting other than a public hearing during the Second and Third Sessions of the Thirty-fourth Parliament:

Alberta Consumer and Corporate Affairs

B.C. Central Credit Union
British Columbia Life Insurance Public Relations Committee
British Columbia Securities Commission
British Columbia. Ministry of Finance and Corporate Relations
Brown, Mr. Terry

Canadian Association of Financial Planners, Pacific Chapter
Canadian Consumers Association, British Columbia Branch
Canadian Institute of Financial Planning
Canadian Life and Health Insurance Association Inc.
Certified General Accountants Association of British Columbia
Connor Financial Corporation
Cook, Ms. Marlene
Crosby, Mr. Garry
Crown Life

Einarson, Mr. Ralph

Granville West Group
Great Pacific Management Co. Ltd.

Institute of Chartered Accountants
Investment Dealers Association of Canada
Investors Group Inc., Winnipeg
Investors Syndicate Limited, Victoria

James E. Rogers Group Ltd.

Lawson Lundell Lawson and McIntosh (Barristers and Solicitors)
Life Underwriters Association of Canada

Macdonald, Shymko and Company Ltd.
Quebec Ministry for Finance and Privatization

Murrick Insurance Services

Ontario Securities Commission

Pennsylvania Life Insurance Company
PlanVest
Principal Investor Protection Association

Siu Tin Yau, Mr. Daniel
Strang, Mr. Ken

Travis, Mrs. Elizabeth

Webber, Mr. Milton

EXHIBITS

Fourth annual meeting of the Canadian Association of Financial Planners, Vancouver, B.C., June 2 - 4, 1988; *conference binder* (loose-leaf).

Fifth annual meeting of the Canadian Association of Financial Planners, Toronto, Ontario, May , 1989; selected session audio cassette tapes.

Principal Trust Investors Protection Association (PIPA). various letters respecting public financial planning involvement with Principal Trust.

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The following is a list of documents examined by the Committee during consideration of the matter referred to it and in the preparation of this Report:

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APPENDIX

FINANCIAL PLANNING DISCLOSURE STATEMENT

LETTER OF DISCLOSURE - [Name of Financial Planning Agent and Company]

To: [Name and address of client]

Please be advised that I, [name of practitioner and company] charge a fee at the rate of [$00.00] per hour / commission of [$00.00] for financial planning services rendered to you and on your behalf. I am licensed to act in the following capacities:

[list, such as:]

- life insurance agent-broker;
- mutual fund salesperson-broker;
- stockbroker;
- agent for limited partnerships [explain];
- other;

and as a result I may gain additional remuneration for products and services purchased by you on my personal or company's recommendation(s). I may benefit indirectly from the same products and/or services purchased by you.

The following legal, accounting and tax-related fees may be applicable to you in the acquisition of recommended financial products and/or services, for which you will be asked to approve:

- [list of fees to be incurred]

I am a member in good standing with the following professional organizations:

- [list of organizations]

I act in the following capacities with these companies:

- [list of companies]

I will disclose to you in writing the following information:

- the nature of the financial product of interest and/or recommended to you;
- the methods by which I arrive at an appropriate financial plan for you;
- existing plans that may compensate you for loss;
- the impact to you of others authorized to act on your behalf;
- the conditions for managing any or all of the components of your financial plan;
- the redemption costs for each financial product you purchase;
- investment risk to you associated with any financial product you may purchase and;
- other related information as it may affect the performance of your plan.

For the twelve month period ending [date] I or my company will provide you in writing any or all aspects related to the establishment of a financial plan for you and subsequent changes.

Yours truly,

[Name of financial planner]

Read, Understood and Approved:

_____

Client Signature

_____

Date

_____

Place